

## FEDERAL COMMUNICATIONS COMMISSION



# FACT SHEET

March 25, 1998

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Office of Public Affairs, Public Service Division, 1919 M Street NW, Washington, D.C., 20554  
202-418-0200/TT 202-418-2555

### **Local Multipoint Distribution Service Auction (Auction No. 17)**

#### ***1. What is LMDS and what are its potential uses?***

A Local Multipoint Distribution Service ("LMDS") system is capable of offering subscribers a variety of one- and two-way broadband services, such as video programming distribution; video teleconferencing; wireless local loop telephony; and high speed data transmission, *e.g.*, internet access. Because of its multi-purpose applications, LMDS has the potential to become a major competitor to local exchange and cable television services.

Technically, LMDS systems may consist of multicell configuration distribution systems with return path capability within the assigned spectrum. Generally, each cell will contain a centrally located transmitter (hub), multiple receivers or transceivers, and point-to-point links interconnecting the cell with a central processing center and/or other cells.

#### ***2. How many licenses were auctioned and what were the license sizes?***

The FCC licenses LMDS spectrum in 493 Basic Trading Areas (BTAs) with a total of 1,300 MHz of spectrum per BTA. Two licenses will be awarded for each BTA: one for 1,150 MHz of spectrum (block A) and one for 150 MHz (block B) for a total of 986 licenses.

Block A consists of frequencies in the 27,500 MHz - 28,350 MHz; 29,100 MHz - 29,250 MHz; and 31,075 MHz - 31,225 MHz bands.

Block B is comprised of spectrum in the 31,000 MHz - 31,075 MHz and 31,225 MHz - 31,300 MHz bands.

The license for the New York A block BTA is encumbered. CellularVision USA currently holds an LMDS license to provide service in the New York Metropolitan Statistical Area ("MSA"). Accordingly, the New York A block BTA serves a population of 9,503,769 (which represents the unencumbered BTA less the population in the encumbered New York Primary Metropolitan Statistical Area); the New York B block BTA serves a population of 18,050,615.

**3. *How many qualified bidders were there?***

There were 139 eligible bidders in the LMDS auction. The following chart sets forth claimed designated entity status:

|                     |     |
|---------------------|-----|
| Small Bidders       | 121 |
| Rural Telco Bidders | 47  |
| Women Owned Bidders | 8   |
| Minority Bidders    | 6   |

\* Please note that these categories are based upon bidder's disclosure and are not mutually exclusive; therefore, bidders may be in more than one category.

**4. *How many bidders won licenses?***

104 winning bidders in the LMDS auction won a total of 864 licenses. Further information on winning bidders and the LMDS auction is available on the FCC website at <<[www.fcc.gov/wtb/auctions](http://www.fcc.gov/wtb/auctions)>>. For further information on the closing of the LMDS auction, see "Public Notice DA 98-572, LMDS AUCTION CLOSES, WINNING BIDDERS IN THE AUCTION OF 986 LOCAL MULTIPOINT DISTRIBUTION SERVICE (LMDS) LICENSES, which will be released on March 26, 1998. This Public Notice will also be available in the Wireless Telecommunications Bureau's Reference Room at 2025 M Street, N.W., Washington D.C.

**5. *How much did the winners bid for the LMDS licenses they won?***

The winners bid \$578,663,029 (in net revenue) on a total of 864 of the 986 LMDS licenses available in the auction. A total of 379 A block licenses were sold covering 90 percent of the U.S. population, and 485 B block licenses were sold covering 99.5 percent of the U.S. population. A complete listing of the winning bid and bidder for each license can be found attached to the above-referenced Public Notice announcing the close of the auction. A total of 122 licenses were not sold in this auction. Of those, 109 never received a bid equal to the Commission's minimum opening bid amount and 13 licenses are held by the Commission due to withdrawn bids. The unsold licenses will be re-auctioned at a later time. The date of the re-auction will be announced by public notice.

***6. How many winning bidders claimed Small Business Status?***

93 winning bidders, who won a total of 664 licenses, claimed small business status.

***7. What were the provisions for small businesses in the LMDS auction?***

Bidding credits were available for small businesses in the LMDS auction based on the annual gross revenues of the bidders, and their controlling interests and affiliates, averaged over the preceding three years. The following table describes the bidding credits:

| <b>45 % Bidders Credit<br/>"Very Small Business"</b>   | <b>35 % Bidders Credit<br/>"Small Business"</b>  | <b>25 % Bidders Credit<br/>"Entrepreneur"</b>  |
|--|--|--|
| Bidder with annual gross revenues of not more than \$15 million averaged over the preceding three years. | Bidder with annual gross revenues of not more than \$40 million averaged over the preceding three years. | Bidder with annual gross revenues of not more than \$75 million averaged over the preceding three years. |

***8. Were there any new procedures or design enhancements used in this auction?***

Tiered upfront payments and minimum opening bids were used to ensure that licenses for rural areas were available at reasonable prices. These amounts, which are expressed as dollars per unit of population in a given BTA, were set based upon a tiered approach, with lower levels for smaller and medium-sized BTAs. For example, A block licenses for large BTAs had minimum opening bids calculated at \$2.25 per unit of population, whereas smaller BTAs had minimum opening bids calculated at \$0.50 per unit of population. This design for calculation of minimum opening bids recognized the value differential in less densely populated regions.

Additionally, in this auction, the Bureau further enhanced its bidding system to allow bidders to

place bids for multiple increments. In the 'click box bidding' methodology used for the 800 MHz SMR auction, bidders were only allowed to increase the standing high bid by a single bid increment. (One bid increment is the difference between the high bid and the minimum acceptable bid for the next round.) In the LMDS auction, bidders could bid any single digit whole number multiple of the bid increment on licenses for which bidders were eligible. Allowing bidders to bid more than a single bid increment potentially reduces the amount of time it takes for licenses to reach their final value.

***9. How long did the auction last?***

The LMDS auction began on February 18, 1998 and, after a total of 128 rounds, ended on March 25, 1998.

***10. When will the down payments be due?***

Down payments will be due by 6:00 p.m. ET on April 9, 1998. Each winning bidder must submit sufficient funds (in addition to funds on deposit not subject to withdrawal payments) to bring its total money on deposit with the Government to 20% of its net winning bids.

***11. When will applications for licenses be due?***

Winning bidders must file their long-form applications with the FCC by 5:30 p.m. ET on April 9, 1998. The long-form applications will be filed using the new FCC Form 601.

***12. When will the final payment be due?***

Final payment will be due within ten business days following the release of a public notice stating the Commission is prepared to award the winner's licenses. Licenses will not be awarded until full payment has been made.